

HOOPER WATER IMPROVEMENT DISTRICT

**Financial Statements and Supplementary Data
December 31, 2005**

(With Auditors' Report Thereon)

HOOPER WATER IMPROVEMENT DISTRICT

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Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Report

To the Board of Directors
Hooper Water Improvement District
Hooper, Utah

We have audited the accompanying statement of net assets of Hooper Water Improvement District as of December 31, 2005, and the related statement of revenue, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hooper Water Improvement District at December 31, 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crane Christensen + Ambrose

May 1, 2006

HOOPER WATER IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2005

As management of the Hooper Water Improvement District, we offer readers of the Hooper Water Improvement District's financial statement this narrative overview for the year ending December 31, 2005. As management, we encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

The Statement of Net Assets provides information regarding all assets of the District, such as cash, accounts receivable, prepaid items, and capital assets well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net assets.

The Statement of Revenue, Expenses and Changes in Net Assets shows all revenue received during the year broken down by charges for service, impact fees, property taxes, interest and other miscellaneous revenue. The expenses are summarized by salaries and benefit expenses, maintenances supplies and materials, utilities, general insurance, engineering and professional fees, interest and depreciation. This statement also shows the net assets at the beginning of the year and at the end of the year.

The Statement of Cash Flows summarizes the flow of cash from operating activities, investment activities as well as capital and related financing activities and provides a reconciliation of operating income to the net cash provided by the operating activities.

Notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

Other Information includes an independent auditors' legal compliance report and the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.

Condensed Financial Information

Statement of Net Assets

Total net assets were \$6,412,259 at December 31, 2005. Capital assets at December 31, 2005 were \$5,408,487 net of depreciation. Total liabilities are \$1,330,398.

Condensed Statement of Net Assets

Assets

Current assets	\$2,334,170
Capital assets	<u>5,408,487</u>
Total assets	\$7,742,657

Liabilities

Current liabilities	\$ 137,697
Long-term liabilities	<u>1,192,701</u>
Total liabilities	\$1,330,398

Net Assets

Investment in capital assets –net of related debt	\$4,154,282
Temporarily restricted for emergency repairs	17,945
Unrestricted	<u>2,240,032</u>
Total net assets	\$6,412,259

Statement of Revenues

Total revenues increased by \$139,763 or 8.03% from 2004.

Condensed Statement of Revenues

<u>Revenue</u>	<u>2005</u>	<u>2004</u>	<u>Net Change</u> <u>2005-2004</u>
Charges for service	\$ 783,715	\$ 734,215	\$ 49,500
Impact fees	809,039	734,732	74,307
Property taxes	200,590	202,925	(2,335)
Interest	66,088	22,106	43,982
Miscellaneous	<u>20,543</u>	<u>46,234</u>	<u>(25691)</u>
Total	\$1,879,975	\$1,740,212	\$ 139,763

Statement of Expenses

Total expenses for 2005 were \$ 921,936.

Condensed Statement of Expenses

Expenses

Salaries and employee benefits	\$ 329,152
General operation and maintenance	274,447
Depreciation	183,135
General insurance	16,658
Engineering and professional fees	63,523
Interest	<u>55,021</u>
Total expenses	\$ 921,936

Statement of Changes in Net Assets

Condensed statement of changes in net assets

Revenues	\$1,879,975
Expenses	<u>921,936</u>
Change in net assets	\$ 958,039
Net assets –beginning of year	<u>5,454,220</u>
Net assets – end of year	<u>\$6,412,259</u>

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Manager at 5555 West 5500 South, Hooper, Utah 84315.

HOOPER WATER IMPROVEMENT DISTRICT

Statement of Net Assets

December 31, 2005

Assets

Current assets:

Cash (note 2)	\$ 2,252,184	
Accounts receivable (note 3)	74,174	
Prepaid items	<u>7,812</u>	
Total current assets		\$ 2,334,170

Capital assets less accumulated depreciation of \$2,635,311
(notes 1 and 4)

5,408,487

Total assets

7,742,657

Liabilities

Current liabilities:

Long-term liabilities - current portion (note 5)	61,504	
Accounts payable	<u>76,193</u>	
Total current liabilities		137,697

Long-term liabilities less current portion (note 5)

1,192,701

Total liabilities

1,330,398

Net Assets

Investment in capital assets - net of related debt	4,154,282	
Temporarily restricted for emergency repairs	17,945	
Unrestricted	<u>2,240,032</u>	
Total net assets		\$ <u>6,412,259</u>

See independent auditors' report and notes to financial statements.

HOOPER WATER IMPROVEMENT DISTRICT

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended December 31, 2005

Income from operations:		
Charges for services	\$ 783,715	
Impact fees	809,039	
Property taxes	200,590	
Miscellaneous	<u>20,543</u>	
Total income from operations		\$ 1,813,887
Expenses:		
Salaries and wages	251,222	
Payroll taxes and employee benefits	77,930	
Supplies and materials	41,338	
Depreciation	183,135	
Utilities	79,653	
General insurance	16,658	
Engineering and professional fees	63,523	
Other general	84,803	
Repairs and maintenance	<u>68,653</u>	
Total expenses		<u>866,915</u>
Net income from operations		946,972
Non-operating income and expenses:		
Interest income	66,088	
Interest expense	<u>(55,021)</u>	
Net non-operating income and expenses		<u>11,067</u>
Change in net assets		958,039
Net assets - beginning of year		<u>5,454,220</u>
Net assets - end of year		<u>\$ 6,412,259</u>

See independent auditors' report and notes to financial statements.

HOOPER WATER IMPROVEMENT DISTRICT

Statement of Cash Flows

Year Ended December 31, 2005

Cash flows from operating activities:		
Receipts from customers	\$ 1,815,483	
Payments to suppliers	(346,120)	
Payments to employees	<u>(329,152)</u>	
Net cash provided by operating activities		\$ 1,140,211
Cash flows from investing activities:		
Interest received	<u>66,088</u>	
Net cash provided by investing activities		66,088
Cash flows from capital and related financing activities:		
Interest paid	(55,021)	
Purchase of capital assets	(557,583)	
Principal paid on long-term debt	<u>(61,033)</u>	
Net cash used by capital and related financial activities		<u>(673,637)</u>
Net increase in cash		532,662
Cash - beginning of year		<u>1,719,522</u>
Cash - end of year		<u>\$ 2,252,184</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income		\$ 946,972
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	183,135	
Decrease in accounts receivable	1,596	
Decrease in prepaids	326	
Increase in accounts payable	<u>8,182</u>	
Net cash provided by operating activities		<u>\$ 1,140,211</u>

See independent auditors' report and notes to financial statements.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2005

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The District was organized to provide culinary water within its designated area.

B. Financial Reporting Model

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes to these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net assets.
3. The statement of cash flows is presented on the direct method.

C. Accounting Method

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements issued prior to December 1, 1989 are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

D. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Application for this criterion involves considering whether the activity benefits the government, and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

E. Fund Accounting

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

F. Capital Assets

Depreciation is recorded on capital assets using the straight-line method over their estimated useful lives as follows: Buildings and improvements 5 to 31.5 years, water distribution system 5 to 50 years, machinery and equipment 5 to 10 years, and furniture and fixtures 3 to 8 years.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2005 were \$6,764, all of which was insured.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District's investments at December 31, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ <u>2,245,420</u>	54 days*	not rated

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(2) Deposits and Investments - Continued

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

Accounts receivable consist of user fees and property taxes collected by the Weber and Davis County Treasurers during the year and remitted subsequent to December 31. The respective amounts are:

District Water Users	\$ 58,810
Weber County Treasurer	8,281
Davis County Treasurer	<u>7,083</u>
Total	<u>\$ 74,174</u>

(4) Changes in Capital Assets

	Balance January 1 2005	Additions	Deletions	Balance December 31 2005
Land	\$ 147,141	-	-	147,141
Building and improvements	260,091	206,246	-	466,337
Water distribution system	6,717,111	325,023	-	7,042,134
Machinery and equipment	284,572	26,314	-	310,886
Furniture and fixtures	<u>77,300</u>	<u>-</u>	<u>-</u>	<u>77,300</u>
Total	<u>\$ 7,486,215</u>	<u>557,583</u>	<u>-</u>	<u>8,043,798</u>

(5) Long-Term Liabilities

Long-term liabilities consist of the following:

	Interest Rate	Maturity Date	2004
Series 1991A - Water Revenue Bonds	0%	01-01-2011	\$ 215,000
Series 1998A - Parity Water Revenue Bonds	2.820%	01-01-2020	151,000
Series 1998 B - United States Department of Agriculture loan	5.125%	12-01-2017	<u>888,205</u>
Total			1,254,205
Less current portion			<u>61,504</u>
Total long-term liabilities less current portion			<u>\$ 1,192,701</u>

Minimum annual payments on long-term liabilities are as follows:

2006	\$ 61,504
2007	62,003
2008	62,528
2009	63,080
2010	63,662
2011-2015	113,157
2016-2020	133,015

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2005

(5) Long-Term Liabilities - Continued

2021-2025	129,658
2026-2030	146,777
2031-2035	189,540
2036-2040	<u>229,281</u>
	<u>\$ 1,254,205</u>

Changes in long-term liabilities:

	Balance January 1 2005	Additions	Payments	Balance December 31 2005
Water Revenue Bond	\$ 258,000	-	43,000	215,000
Parity Water Revenue Bond	160,000	-	9,000	151,000
United States Department of Agriculture loan	<u>897,238</u>	-	<u>9,033</u>	<u>888,205</u>
Total	<u>\$ 1,315,238</u>	-	<u>61,033</u>	<u>1,254,205</u>

(6) Retirement Plans

Plan Description

Hooper Water Improvement District contributes to the Local Governmental Non-Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-Contributory Retirement System the District was required to contribute 11.09% of its covered salary for the year ended December 31, 2005. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The District's contributions to the Non-Contributory Retirement System for December 31, 2005, 2004 and 2003 were \$26,968, \$22,263 and \$18,968 respectively, and 401(K) contributions for December 31, 2005, 2004 and 2003 were \$2,914, \$2,123 and \$1,980 respectively. The contributions were equal to the required contributions for each year.

(7) Risk Management

Hooper Water Improvement District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disaster for which the District carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At December 31, 2005, there were no outstanding claims or judgments against the District. Settlements did not exceed insurance coverage for each of the past three years.

Independent Auditors' Legal Compliance Report

To the Board of Directors
Hooper Water Improvement District
Hooper, Utah

We have audited the financial statements of Hooper Water Improvement District for the year ended December 31, 2005, and have issued our report thereon dated May 1, 2006. As part of our audit, we have audited Hooper Water Improvement District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other Compliance Requirements
Special Districts General Compliance
Impact Fees and Other Development Fees

The District received no financial assistance from the State. The management of Hooper Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion Hooper Water Improvement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Crane Christensen & Ambrose

May 1, 2006

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

To the Board of Directors
Hooper Water Improvement District
Hooper, Utah

We have audited the financial statements of Hooper Water Improvement District as of and for the year ended December 31, 2005, and have issued our report thereon dated May 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hooper Water Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hooper Water Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors and State agencies. However, this report is a matter of public record and its distribution is not limited.

Crane Christensen & Ambrose

May 1, 2006



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

May 2, 2006

Board of Directors
Hooper Water Improvement District
5555 West 5500 South
Hooper, Utah 84315

We have completed our audit of the District's financial statements for the year ended December 31, 2005. We express our sincere appreciation to the District's employees for the assistance they so willingly provided during our audit.

As stated in our engagement letter dated February 15, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the District's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you. We noted no transactions for which there is a lack of authoritative guidance or consensus.

As a result of observations we made during our field work, we make the following recommendations which we believe will result in additional improvements in the District's accounting system and internal controls.

1. At the completion of each audit, any audit adjustments should be posted to the general ledger and the account balance traced to the audited financial statements.
2. Capital expenditures should be posted to the fixed asset accounts rather than capital expenditure accounts.
3. Adjustments should be made to the cash in bank account to add back old outstanding checks. These amounts should be remitted to the State of Utah as unclaimed property.
4. A copy of the capital asset depreciation schedule should be obtained from the auditor. During the next few months the District staff should perform an inventory of the district's capital assets and compare that count to the depreciation schedule. Assets on the depreciation schedule but not on the count should be removed from the District's accounting records.

We stress these comments are made as suggestions for enhancing the District's systems and procedures and are not criticisms of your current procedures.

We would be happy to help the District in the implementation of any of these suggestions. If you have any questions about our recommendations, please feel free to contact us. We appreciate your cooperation and we look forward to serving you in the future.

Sincerely,

CRANE, CHRISTENSEN & AMBROSE



Steven F. Crane, CPA